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DCI/IC-74-2402
6 December 1974

MEMORANDUM FOR: Associate Deputy to the DCI for the Intelligence Community
SUBJECT : Intelligence Resource Management
REFERENCE : Memo dtd 1 Oct 74, Subject: Draft Paper on Resource Management, from George E. Pickett, Office of Net Assessment, DoD

1. I read the attached paper on Intelligence Resource Management as you requested. It is an interesting effort to explain a very complex process that has grown up over the years. I recognize, and Chip admits, that this is a rough cut, but a few general comments and some specific recommendations appear to be in order.

- His propositions are a bit overstated;
- He needs some specific examples to cite as evidence to support his notions about the process;
- Several of his key observations on planning have already been perceived and action is underway;
- He has some good ideas and the paper on the whole is more on target than [] first effort.

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2. Apparently, the check marks and marginal notes on his draft were made by you. Presumably, they indicate your agreement with his observations and conclusions. The other marks, therefore, must mean that you disagree with his observations.

3. I presume it is not your intent to critique line-by-line his paper nor to rewrite it for him, but rather to provide him with specific suggestions on how to improve the quality of his paper at particular issue points.

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SUBJECT: Intelligence Resource Management

4. Attached are my reactions and specific suggestions to his paper, my remarks follow his basic topical outline, but do not cover all the issues. I hope this is some help to you in your planned discussion with Chip in the near future.

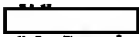


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Captain, USAF
DCI/IC/CS

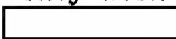

**Attachment: Draft of Reactions to
Resource Management Paper**

Distribution:

- 0 - Adsee., w/att *Ref*
- 1 - CS Subject File, w/att
- 1 - CS Chrono, w/att
- 1 -  Chrono, w/att
- 1 - IC Registry, w/att

DCI/ICS/CS/ ktm/6238
(9 December 1974)

NOTE:

I received a copy of the DCI's report to the President on the National Foreign Intelligence Program Recommendations for FY 1976-80, this date. I only wish that I had seen it prior to drafting my response to you regarding  paper. The NFIPR is more precise, and pages 4 - 10 of the document are more relevant to the resource management process as characterized by 

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THE SITUATION FACING INTELLIGENCE

The intelligence community has witnessed a great deal of change during the past few years largely as a result of a Presidential Directive issued in November of 1971 which called on the Director of Central Intelligence to exert stronger leadership in the management and coordination of the U.S. foreign intelligence effort, improve the intelligence product, and employ intelligence resources more efficiently. New National Security Council Intelligence Directives were issued in February of 1972 amplifying that Directive and redefining the basic duties and responsibilities of the members of the intelligence community. More recently, the DCI's community responsibilities were reaffirmed by President Ford in a 9 October memorandum to Mr. Colby.

The November 1971 Directive created a number of new mechanisms to strengthen the DCI's role in managing the community. The Directive was based upon three main premises:

- That the intelligence effort was not keeping pace with major changes occurring in the world; it was no longer adequately on target and did not meet the needs of the consumer as well as it should.
- That in a period of increasing budgetary constraints, it was using its resources inefficiently.
- That these fundamental weaknesses could be overcome only through more effective central direction and control.

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To contribute to the goals outlined in the Directive, the President authorized a number of new bureaucratic mechanisms:

- Established the National Security Council Intelligence Committee (NSCIC).
- Established the Intelligence Resources Advisory Committee (IRAC).
- Broadened the United States Intelligence Board (USIB) membership.
- Confirmed the EXCOM role.

The President also directed the DCI to strengthen his personal staff to support his broader community responsibilities. This led to the formation and subsequent expansion of the Intelligence Community Staff (ICS) and to the appointment of National Intelligence Officers (NIOs).

Bureaucratic mechanisms, no matter how useful, are not in themselves adequate to bring about changes projected in the Presidential Directive.

Three other conditions were essential:

- A close understanding between the DCI and the Secretary of Defense on the objectives for the Intelligence Community.
- Acceptance by the Congress as well as the President that the DCI is the Chief Foreign Intelligence Officer of the U.S. Government.
- Effective leadership on the part of the Director of Central Intelligence.

Dr. Schlesinger's appointment as Secretary of Defense went a long way in ensuring the first condition because of his major role in the formulation of the 1971 Directive and his brief tenure as DCI.

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Mr. Colby's leadership as DCI has been demonstrated in many ways since his appointment. Some key landmarks have been:

- The reinvigoration of IRAC.
- The invigoration of the estimative process under the NIOs.
- The formulation and issuance of guidance to the Intelligence Community:
 - . Perspectives for Intelligence 1975 - 1980
 - . FY 75 Objectives for the Intelligence Community
 - . Budget Recommendations to the President
 - . Key Intelligence Questions (January 1974 - July 1975)
- The formulation and introduction of a community-wide review and evaluation process--KEP.
- Representing the community and supporting its budget before Congress. Between 1 January and 1 August 1974, the Director met 24 times with a total of 15 different committees and sub-committees of the Congress and conferred separately with eight Senators and Congressman.

All of these DCI actions and initiatives have involved a continuing dialogue and prior coordination with all elements of the community. Much of this dialogue and coordination has been conducted on a day-to-day basis by the IC Staff, although official coordination is formalized by NSCIC, USIB, and IRAC actions.

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EXTERNAL FORCES ACTING ON THE COMMUNITY

The International Environment

The balance of power between the US and USSR is unlikely to change fundamentally. Perception of the balance, however, may change importantly in either Moscow or Washington, or both. Beyond this, many other nations will play roles in the international arena.

- The USSR. Notwithstanding the probable continuation of detente and an absence of armed conflict, the USSR will remain the principal adversary of the US during the next five years as it has been the past decade or more. The circumstances which commended detente to the USSR, however, have complicated this picture. This dilemma may take an acute form in the strategic field. Domestically, the pressure for modernizing reforms of the Soviet system, and particularly its economic administrative structure will grow.
- China. Almost certainly, China will undergo a change in leadership. The succession could see an initial collegial unity followed by an authoritarian, aggressive and xenophobic leader. China will continue gradually to develop its strategic forces and will present a retaliatory threat to the Soviet Union. Internally, China will continue its authoritarian economic programs, which are likely to keep agriculture abreast of population, to enable industry to expand capacity and output, and to support an increasingly modern defense establishment.

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- Western Europe. Western Europe has and will continue efforts at integration with uneven results. Europe, and US-European relations, have and will be particularly vulnerable to economic strains and uncertainties--inflation at home and trade problems with both the advanced states and the Third World countries supplying raw materials, especially oil.
- Eastern Europe. While Eastern Europe will continue to be under Soviet control, recurrent pressures for some loosening of ties with Moscow will complicate the picture. The passing of Tito could open an arena of difficulty and contest over the succession internally and over the future orientation of Yugoslavia externally.
- Japan. Japan will continue to play a major economic role and as a participant in international economic affairs generally, expanding its contacts and relations with other countries, including the USSR and China.
- New Powers. During the coming years, a number of nations will increase in absolute and relative strength and become at least regional great powers, plus playing more substantial roles in world international forums.
- The Third World will present a variety of problems. A number of local disputes will preoccupy not only the leaders of individual countries, but the international community. Some of the Third World will find an outlet for its frustrations

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on self-defeating assaults on great power economic relationships and on hamstringing the effectiveness of a variety of international forums.

- Social change will cause turbulence and possibly create power vacuums in a number of areas. Such turbulence will also exist within advanced nations, as economic, racial, ideological, or regional minorities turn to violence and terrorism to press their claims against more and more delicately tuned and inter-dependent securities.
- The acceleration of events will be characteristic of the years ahead. Identification and accurate assessments of such changes and their effects will be needed on an increasingly rapid or even immediate basis.

INTERNAL PRESSURES ACTING ON THE COMMUNITY

The primary charge on intelligence during these past years has been and will be to provide accurate and pertinent information and assessments with respect to the increased range of problems requiring U.S. decision. In particular, the need will be for advance notifications of forthcoming policy problems and, of course, for tactical early warning as well. These responsibilities will be especially important in an era of accelerating events so that diplomacy, negotiation, or other benign initiatives can head off military confrontations between states or other disruptive events. The acceleration of events and the explosion of information has required a major effort by the intelligence community to identify major policy and negotiating

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issues, to process raw information into manageable form, and to devise adequate techniques to identify for consumers the essential elements of foreign situations, the reliability of our assessments, and the likely impact of alternative policy decisions. Intelligence will increasingly be expected to provide assessments of the intentions and likely courses of action of foreign powers, in addition to their basic capabilities. To do this will require inter-disciplinary analysts which melds economic technological, sociological and cultural factors with political and military data.

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KEY ISSUES IN THE PAPER
AND SUGGESTIONS

The Requirements Problem

The principal customer of our national intelligence program is, of course, the President. But his key advisors and officers need also to be informed (i.e., the Assistant to the President for National Security Affairs, the Secretaries of State, Defense, Treasury, and so on). Their requirements are a compilation both of their expressed needs and of the Intelligence Community's judgment about what they might need.

There are a variety of techniques for refining such requirements. The USIB and the DCI have established and continually review a formal list of relatively constant major requirements. Crisis requirements are generally conveyed to the proper action arm of the Community as a result of the DCI's participation in the Washington Special Action Group (WSAG) which meets regularly and keeps him informed of activities which might benefit from intelligence support.

In non-crisis situations, requirements for information come to the Intelligence Community in a wide variety of effective but not necessarily orderly ways. On a daily basis, policy-oriented analysts are in contact with intelligence analysts and make their needs known in that context. Through the requirements staffs of each intelligence agency, collection components can be tasked. Formal requests for specific facts or analyses also come by letter or telephone from USIB principals, Cabinet members, and the NSC/ National Security Advisor level. Policymaker feedback to the Intelligence Community on intelligence problems below the first level of priority, or in

non-crisis situations, generally does not give a clear enough signal about how much collection and analytical effort the Intelligence Community should expend on a specific subject. The Community tasks itself when this is the case.

One of the problems with which the DCI continues to be deeply concerned has to do with development of a better way of identifying and stating our collection requirements.

We need to be directly responsive to the needs of the consumers of intelligence, and we have made considerable progress in identifying these through the Key Intelligence Questions, the activities of the National Intelligence Officers, and other actions.

We need better assurance, however, that these needs are properly expressed to collectors.

The DCI has charged the chairmen of USIB Committees with addressing this matter on a priority basis.

The goal is to ensure that each intelligence requirement is assigned to the most logical collector, that is, the one most capable of succeeding at the lowest cost.

The DCI wants to make certain, for instance, that clandestine resources are not tasked to collect information which is overtly available, and that expensive technical systems are not tasked to acquire data that human source collectors can obtain at far less cost.

Bringing better order in the requirements field is a difficult task, this is well recognized.

The complex relationship between national and strategic requirements and the theater tactical requirements makes the assessment of overseas collection efforts an imprecise procedure, but it is one of the problems being addressed in our national/tactical intelligence interface study.

Our current efforts to use collection resources more effectively provide the DCI with some basis for cautious optimism, but he recognizes that more is yet to be done.

The family of intelligence guidance directives, in order of detail, now consists of the Presidentially approved "Objectives," the DCI "Perspectives," the KIQs, and the DCID 1/2.

More detailed requirements statements such as the CERP, CIRL, etc. are now under study to determine their value.

It may be that greater reliance on informal analyst/collector communication, which is now being encouraged, will handle precise levels of detailed guidance.

This communication, plus post-mortem evaluations, could lead to reduction in the number and variety of complex requirements publications--highly detailed in nature--which are now issued.

In the meantime, several USIB committees are proceeding with examination of the requirements process in their areas of responsibility.

The SIGINT committee is engaged in revamping and simplifying the SIGINT requirements mechanism, starting with a zero base review of what is on the books and developing a means of validating new requirements.

The SIGINT Committee Chairman has met with senior officers of the Community to encourage their involvement in the evaluation process.

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In the imagery area, the COMIBEX Committee has pursued two courses of action. One involves a redelineation and refinement of area coverage requirements. The other will refine specific requirements for target surveillance and improve the method of accounting on results.

The problem here is to assure the most effective use of system capabilities in the match between orbital mechanics and the priority ordering of targeting requirements.

In the HUMINT field, the USIB Human Sources Committee has developed a plan of action which will assess human source reporting from a particular country or against a particular problem.

The initial effort will be concerned with examination of reporting from larger overseas posts.

The end result of each evaluation will be a letter from the DCI to the Chief of Mission commenting on the strengths and weaknesses of the reporting and suggesting realignments of resources and adjustments in tasking to cope with identified problem areas.

The DCI is hopeful that this activity, coupled with close and continuing contact by the Human Sources Committee with the intelligence producers, the NIOs and his Intelligence Community Staff, will enable him to attack human sources requirements and assessments problems on a broad front.

Overall, the DCI considers that our efforts to simplify and improve the system of identifying and applying requirements shows much promise.

The Community support being provided is very encouraging so far.

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THE RESOURCE, BUDGET PROBLEM

The DCI has no authority to determine the budget and manpower needs of the various agencies in the Intelligence Community. Each component goes through an independent program and budget development process (in the case of State and DoD intelligence programs there are department-wide guidances and constraints which apply apart from intelligence considerations). Each component has an independent review by the OMB. Each component receives from the Congress an appropriation which is under its full control. The program proposed by each component to the Congress is reviewed, however, by the Intelligence Community (IC) Staff of the DCI. From IC Staff suggestions, IRAC deliberations, and USIB requirements, the DCI formulates his National Foreign Intelligence Program Budget Recommendations for the President.

The major resource problem facing the Community is inflation; first in manpower costs, but in all other aspects of our profession as well. The problem can be stated in this way:

a. assuming level manpower, level program size, and continued inflation, the resources for intelligence would have to increase by nearly 25 percent by 1978. This alternative would be unacceptable to the Congress.

b. assuming level dollars, a level program, and inflation offset by manpower reductions, a 40 percent cut in manpower would be required by 1978. The Community could not take such a cut and continue to meet its obligations.

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c. assuming level dollars, level manpower, and continued inflation, there would have to be a drastic and unacceptable cut in our investment in technical systems for the future and in procurement.

The solution to the dilemma posed above lies in the hands of the President and the Congress. We can help by reducing our breadth of coverage--by keying on the most important issues and cutting activities and area coverages which do not contribute directly to the resolution of the highest priority problems. It is the job of the DCI to advise the Government as to what constitutes a sufficiency of resources--in dollar terms, in terms of the systems and dollars will support, and most importantly in terms of major substantive need.

There are very serious problems for the entire Intelligence Community in the resources area. Some figures illustrate the point.

- The Intelligence Community in FY 1974 had 42,000 fewer people and 20 percent less purchasing power than in FY 1969.
- The National Foreign Intelligence Program, as a percentage of Federal spending, has declined in each of the past nine years.
- from 1.76 percent in FY-1967 to 1.18 percent in FY 1974
- In this same period, manpower in the intelligence program has declined by 33 percent, while overall Federal employment has been reduced by only 3 percent.

This fiscal belt-tightening has been possible through a combination of actions:

- We have put increased reliance on technologies and have exerted greater efforts to automate intelligence functions, allowing a tradeoff of personnel against productivity gains - efforts which have now run their course.

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- We have stretched plans for advanced technology developments, reducing near-term spending at the expense of cost-growth in later years.
- We have adapted to personnel reductions at some cost in morale and a considerable drain of expertise that had taken years to develop.

Some of the specific actions taken over the past several years include:

- Closure or consolidation of about 40 SIGINT installations.
- Modernization of high-frequency communications intercepts and automation of associated information handling systems.
- Substantial reduction of intelligence coverage of non-Communist areas of the world.
- Elimination of major covert action activities.

What I feel needs strong emphasis, however, is that even though the Community is continuing to strive for more efficient performance, any future major reductions in resources or manpower--particularly in the national analytical base--can only be made at the expense of essential functions.

The problem is particularly important in the Department of Defense since this department alone accounts for more than four-fifths of the nation's intelligence personnel and an equally large proportion of the national intelligence budget.

The DCI recently expressed his concern to the Office of Management and Budget in these words:

"The Intelligence Community's resource strategy in the past has emphasized reductions in manpower as a means of combating inflationary pressures and providing programming flexibility.

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"We have been fortunate thus far in that increased productivity and modernization efforts have offset any major deterioration in intelligence capabilities.

"As I explained to our Congressional Committees, this strategy has about run its course."

Although reductions to date have been accommodated, they have attenuated program flexibility in view of continued high inflation and of major new programs already approved.

Inflation is a burden we all share, and the problems of the Intelligence Community are not unique, but the fact that the Intelligence Community already has absorbed such major reductions because of policy decisions to hold the National Foreign Intelligence Program at a relatively constant budget level over the past several years, makes our current problems particularly acute.

None of the alternatives in sight hold any attraction.

If we continue with a level budget and attempt to maintain our present programs, manpower reductions will have to be unacceptably large.

If we continue with a level budget and seek to maintain current manpower levels, our investment program will become unacceptably low.

Either the budget must rise or major segments of the existing intelligence program will have to be eliminated.

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THE PERFORMANCE EVALUATION PROBLEM

Evaluation of the performance of the Intelligence Community is a relatively untapped field. For years evaluative efforts have been made within the Community itself, but as I have suggested, we have not had a strong standard of pre-established user requirements against which to measure ourselves. As a consequence, measurements of effectiveness have usually been taken during or following some crisis which might or might not have been of prior concern to policymakers. Our reviews under such circumstances have been mixed.

The IC Staff working with the NIOs is working on ways in which the DCI can better evaluate the performance of the community and linked the evaluation to resource allocation.

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THE CONSUMER RELATIONS PROBLEM

A number of mechanisms exist to strengthen the DCI's ability to satisfy consumer needs. The first of these is the National Security Council Intelligence Committee which was created by the November 1971 Presidential directive to give direction and guidance on national intelligence needs and to provide for continuing product evaluation from the community's key users. The NSCIC is supported by a Working Group and an Intelligence Panel, both of which are chaired by the Deputy to the DCI for the Intelligence Community.

An Economic Intelligence Subcommittee has also been authorized and will be made up of senior-level representatives from departments and agencies concerned with foreign economic policymaking. Its job will be to provide consumer guidance on international economic intelligence requirements. The chairman will be the Treasury representative.

Established by Mr. Colby in October of 1973 under the direction of Mr. George Carver, Deputy to the DCI for National Intelligence Officers, the NIOs are the DCI's principal staff officers and personal representatives for specific geographic areas and functional subjects and are responsible to him for the entire intelligence process, with special emphasis on the production of estimates and other national products.

Their job is to enlist all elements of the community in the development of the best possible assessments of the intelligence questions facing the policymakers. [The DCI has instructed that community reports and estimates be independent of policy pressure and objective in tone and content, and incorporate minority or adverse views when these exist.]

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The reactivation of the NSCIC with its reorganized Working Group, supporting Intelligence Panel, Economic Subcommittee, and the establishment of the NIOs ought to go a long way in identifying and developing better relations with our national consumers.

CONFIDENTIALTHE PLANNING PROCESS PROBLEM

The responsibility for projecting the future international environment that may require specific intelligence responses is met in part by the DCI's Perspectives for Intelligence - 1975-1980. These Perspectives, which were recently endorsed by the NSCIC, can be characterized as long-term KIJs. Focusing intelligence on probable future developments should help the Community to initiate appropriate responses. It should also help in delivering a final product that anticipates conditions and thereby gives policymakers an opportunity to consider options. This is the thrust of the substantive guidance of the Perspectives--a guidance that will be revised annually.

The planning in the Community this past year, particularly in the large technical systems and to a lesser degree in human source collection, has begun to take constructive form. There is a need for a National Intelligence Strategy that will permit the President and the National Security Council to approve the Community's assumptions and the thrust of its programs or to provide guidance for appropriate alterations.

A principal part of this long-term planning must deal with the impact of inflation on the Community's already diminishing resource base. Such new strategies and procedures have only begun to evolve. The key may be found in the evaluation process that accompanies the KIJs. We are by no means confident at this writing, however, that the cross-program evaluation needed is well in hand.

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The division of labor within the Community particularly needs attention. We are working to identify unnecessary redundancy, but there are no simple answers. In the course of the next several years, it appears that some modest organizational and structural changes will be identified. We hope to find consolidations that could help to meet inflationary pressures without causing loss in productivity and quality.

The balance of overseas representation needs better focus. Under present authorities these matters will have to evolve within the command structure of the various agencies or departments.

To the degree, however, that the Community can pursue long-term planning, we hope to provide a basis for the DCI to present a National Intelligence Strategy that would give the policymakers a clearer picture of intelligence as an entity and of its proposed role in the overall formulation and implementation of U.S. foreign policy.

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